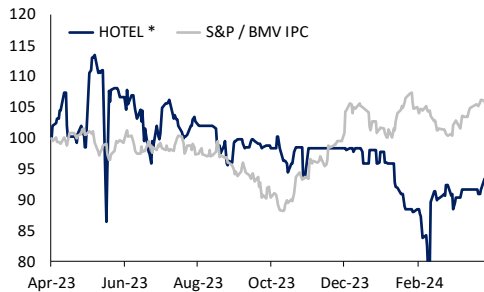


HOTEL: 1Q24 Results

Results affected by the sale of the *Hilton Guadalajara* and the temporary closure of the *Krystal Beach Acapulco*

HOTEL*	BUY
Target Price (MXN\$)	\$ 5.50
Current Price (MXN\$)	\$ 3.65
Min / Max (L12M - MXN\$)	3.20 - 4.62
Expected Dividend (MXN\$)	\$ 0.00
Total Return	50.7%
Mkt Cap (Mn of MXN)	2,614
Enterprise Value (Mn of MXN\$)	5,104
Shares Outstanding (Mn)	716.1
Float	72.3%
ADTV (MXN\$ Mn)	\$ 2.50



Opinion and recommendation

HOTEL reported declines in revenue and EBITDA that were basically in line with our projections, while net profits were below. We continue with a BUY recommendation and MXN\$5.50/share target price since we expect a recovery in the company's operating performance during the second half of the year, due to higher occupancy levels at the *Hyatt Regency Mexico City Insurgentes* and the gradual re-opening of the *Krystal Beach Acapulco* starting in July.

1Q24 Results

HOTEL registered an average occupancy of 70.0% in its owned hotels in operation, the peak of the last five years, compared to 67.9% in the same period of the previous year. This was partially offset by a 3.2% YoY ADR reduction, resulting in a RevPar of MXN\$1,227, virtually unchanged on an annual basis.

However, total revenues decreased 10.7% YoY in the quarter to MXN\$778 million mainly due to the sale of the *Hilton Guadalajara* in May 2023 and the temporary closure of the *Krystal Beach Acapulco* since October last year. This included declines of 13.8% in hotel revenues, 6.8% in food and beverages, 18.0% in Vacation Club and 24% in others. For its part, managed hotel revenues were up 17.0% due to a higher ADR, in addition to the incorporation of the *Secrets Tulum Beach & Spa* hotel.

EBITDA fell 15.8% YoY to MXN\$252 million, while net profits were down 57.4% to MXN\$99 million, given lower revenues.

Despite the EBITDA reduction, the net debt to EBITDA ratio was 2.9x, slightly lower than the 3.0x in 4Q23.

April 26th, 2024

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(Figures in Millions of MXN\$)	1Q24	1Q24E	Diff.	1Q23	Change
Revenues	778	781	-0.4%	871	-10.7%
EBITDA	252	251	0.3%	299	-15.8%
<i>EBITDA Margin</i>	32.4%	32.2%		34.4%	
Financial Gains	47	3	1306.1%	299	-84.4%
Financial Cost	-98	-27	261.3%	-203	-51.8%
Net profit	99	121	-17.9%	233	n.a.

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	533	597	669	701	767	788
Tax Rate	27%	27%	28%	28%	28%	30%
Tax Shield	-141	-161	-184	-196	-215	-237
NOPLAT	392	436	485	505	552	552
Depreciation	345	364	384	406	428	440
Working Capital Changes	-47	-37	-36	-48	-40	-41
CAPEX	-316	-352	-396	-408	-440	-452
FCFF	375	412	437	454	500	648
Perpetuity Growth Rate						2.8%
PV of Explicit Period (2025 - 2029E)						1,623
Perpetuity Value						8,792
PV of Perpetuity Value						4,918
Enterprise Value						6,541
Net Debt						2,605
Market Value						3,936
<i>Outstanding Shares</i>						716
Target Price						P\$ 5.50
Current Market Price						P\$ 3.58
Potential Return Incl. Dividends						53.5%
Forward EV/EBITDA						8.8x
Forward P/E						22.3x
Average Cost of Debt						8.5%
LT Tax Rate						30.0%
After-Tax Cost of Debt						5.9%
Cost of Equity						11.9%
Market Risk Premium						6.0%
Risk-Free Rate						10.3%
Beta						0.27
% Total Debt						29.5%
% Capital						70.5%
WACC						10.2%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	844	888	935	982	1,031
Target EV/EBITDA					
7.3x	2.61	3.06	3.54	4.02	4.52
7.8x	3.20	3.68	4.19	4.70	5.24
8.3x	3.79	4.30	4.84	5.39	5.96
8.8x	4.37	4.92	5.50	6.07	6.68
9.3x	4.96	5.54	6.15	6.76	7.39
9.8x	5.55	6.16	6.80	7.44	8.11

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	160	168	177	186	195
Target P/E					
19.3x	4.29	4.52	4.76	4.99	5.24
20.3x	4.51	4.75	5.00	5.25	5.52
21.3x	4.74	4.99	5.25	5.51	5.79
22.3x	4.96	5.22	5.50	5.77	6.06
23.3x	5.18	5.46	5.74	6.03	6.33
24.3x	5.41	5.69	5.99	6.29	6.60

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	168	171	186	195	204	206	212
Cost of Sales	-63	-79	-92	-95	-99	-99	-101
Gross Profit	105	91	95	100	105	107	111
<i>Gross Margin</i>	<i>62.4%</i>	<i>53.6%</i>	<i>50.8%</i>	<i>51.2%</i>	<i>51.6%</i>	<i>52.0%</i>	<i>52.4%</i>
General Expenses	-38	-36	-37	-39	-41	-41	-42
Operating Profit	22	27	30	33	35	36	38
<i>Operating margin</i>	<i>12.8%</i>	<i>15.6%</i>	<i>16.2%</i>	<i>16.8%</i>	<i>17.4%</i>	<i>17.5%</i>	<i>18.0%</i>
Depreciation and Amortization	-17	-19	-20	-20	-20	-21	-21
EBITDA	48	47	53	56	59	60	63
<i>EBITDA Margin</i>	<i>28.4%</i>	<i>27.8%</i>	<i>28.3%</i>	<i>28.7%</i>	<i>29.0%</i>	<i>29.3%</i>	<i>29.6%</i>
Financial Gains	36	4	2	2	2	2	2
Financial Cost	-34	-21	-18	-18	-18	-18	-18
Pre-Tax Profit	23	10	14	16	19	20	22
Income Tax & Profit Sharing	-7	-3	-4	-4	-5	-6	-6
<i>Tax and Profit Sharing Rate</i>	<i>30.5%</i>	<i>25.9%</i>	<i>26.5%</i>	<i>27.0%</i>	<i>27.5%</i>	<i>28.0%</i>	<i>28.0%</i>
Net profit	34	7	10	12	14	14	16
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	672	713	701	698	698	694	697
Current Assets	100	85	95	99	105	105	109
LT Assets	572	628	606	599	594	590	588
TOTAL LIABILITIES	285	298	293	293	293	288	287
ST Liabilities	78	82	80	82	84	82	83
LT Liabilities	207	217	213	210	208	206	205
TOTAL DEBT	162	166	164	163	163	162	162
NET DEBT	147	153	144	142	140	140	138
TOTAL CAPITAL	387	415	407	405	406	406	409
Stockholder's Equity	295	313	308	306	307	307	309
Minority Interest	91	101	99	99	99	99	100
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
NET PROFIT	34	7	10	12	14	14	16
Non-Cash Items	0	-48	-23	-30	-30	-30	-30
Actividades de Inversión	2	37	31	31	31	31	32
Pre-Tax Cash Flow	35	-4	18	13	15	16	18
Working Capital Changes	-4	4	-3	-2	-2	-2	-2
Operating Cash Flow	31	0	16	11	14	14	16
Investment Cash Flow	39	-8	-16	-18	-20	-20	-21
Financing Cash Flow	-80	8	9	8	8	7	6
Net Incr. (Decr.) in Cash & Temp. Inv.	-10	1	8	2	2	1	1
Beg. of Period Cash and Temp. Inv.	25	16	12	20	21	22	22
End of Period Cash and Temp. Inv.	15	13	21	21	22	23	23

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